

## LOTTERY AUTHORITY, IOWA[531]

### Notice of Intended Action

**Twenty-five interested persons, a governmental subdivision, an agency or association of 25 or more persons may demand an oral presentation hereon as provided in Iowa Code section 17A.4(1)“b.”**

**Notice is also given to the public that the Administrative Rules Review Committee may, on its own motion or on written request by any individual or group, review this proposed action under section 17A.8(6) at a regular or special meeting where the public or interested persons may be heard.**

Pursuant to the authority granted in Iowa Code section 99G.9(3), the Board of Directors of the Iowa Lottery Authority hereby gives Notice of Intended Action to amend Chapter 12, “Licensing,” Chapter 18, “Scratch Ticket General Rules,” Chapter 19, “Pull-Tab General Rules,” and Chapter 20, “Computerized Games—General Rules,” Iowa Administrative Code.

Chapters 12 and 18 to 20 are each being modified to update and modernize the rules regarding the Iowa Lottery’s sale of traditional lottery products known as “instant tickets.”

Historically, the Iowa Lottery has utilized the terms “instant tickets” and “scratch tickets” synonymously, to refer to printed lottery tickets that contain play symbols concealed by a removable coating that the player must scratch to reveal. Indeed, the first game ever sold by the Lottery, a scratch ticket called “Scratch, Match & Win,” was introduced in 1985.

Scratch tickets remain popular with Iowa Lottery players, having accounted for 65 percent of total Iowa Lottery sales in fiscal year 2015. Certainly, scratch tickets will remain core Iowa Lottery offerings for years to come.

However, in light of the specialized paper stock and latex coating utilized to produce scratch tickets, scratch tickets are necessarily more expensive for the Iowa Lottery to produce than computerized lotto games such as the popular Powerball® or Mega Millions® games. Since 2004, 13 lotteries in the United States have introduced a different type of instant ticket. These instant tickets are printed using the same lotto terminals and secure paper that licensed retailers already use for printing plays in computerized lotto games such as Powerball® or Mega Millions®.

Those instant tickets use play symbols just like traditional scratch tickets. However, the symbols are not concealed by any latex coating. By using the secure paper already in place to print lotto tickets, these “scratchless” printed tickets are far less expensive to produce. And, they still provide the same play symbols and entertainment value that lottery players have come to expect from traditional scratch tickets.

The Iowa Lottery and its Board have the authority under Iowa Code chapter 99G to introduce and administer lottery games, including these instant play games. However, the Lottery seeks to update its administrative rules to reflect that printed instant tickets may not always contain a latex covering that must be removed by the player.

These modifications were identified through a regular review of the Iowa Lottery Authority’s administrative rules.

Interested persons may submit comments orally or in writing by 4:30 p.m. on August 23, 2016, to Rob Porter, Vice President/General Counsel, Iowa Lottery Authority, through the following methods:

- Via mail to 13001 University Avenue, Clive, Iowa 50325-8225;
- Via e-mail to [rkporter@ialottery.com](mailto:rkporter@ialottery.com); or
- Via telephone to (515)725-7851.

The Board does not intend to grant waivers under the provisions of these rules.

After analysis and review of this rule making, the Board finds that there is no adverse fiscal impact or impact on jobs from the adoption of these amendments.

These amendments are intended to implement Iowa Code chapter 99G.

The following amendments are proposed.

ITEM 1. Amend subrule 12.4(1) as follows:

**12.4(1)** The lottery has discretion to license a qualified applicant to sell any one of the following lottery products or any combination of the following products: ~~scratch~~ instant tickets; pull-tab tickets; and computerized game tickets, if available. The lottery may require an applicant to sell one or more lottery products as a condition of selling any other lottery product. A lottery license authorizes the licensee to sell only the type of lottery products specified on the license.

ITEM 2. Amend **531—Chapter 18**, title, as follows:

**SCRATCH INSTANT TICKET GENERAL RULES**

ITEM 3. Amend rule 531—18.1(99G) as follows:

**531—18.1(99G) Authorization of ~~scratch~~ instant ticket games.** The lottery authority board authorizes the sale of ~~scratch~~ instant tickets that meet the criteria set forth in this chapter.

This rule is intended to implement Iowa Code Supplement section 99G.9(3).

ITEM 4. Amend rule 531—18.2(99G) as follows:

**531—18.2(99G) Definitions.**

“Instant ticket” means a scratch ticket or an instaplay ticket as defined in this chapter.

“Instaplay ticket” means an instant ticket printed on lotto terminal paper with play symbols that are not concealed by a removable covering.

“Play symbols” means the numbers or symbols appearing under the removable covering on ~~the~~ a scratch ticket or on the face of an instaplay ticket.

“Scratch ticket” as used in this chapter means an instant lottery ticket that is played by removing a rub-off covering on the ticket.

“Validation number” means the characters or numbers found on a ticket or ticket stub.

This rule is intended to implement Iowa Code Supplement sections 99G.3 and 99G.9(3).

ITEM 5. Amend rule 531—18.3(99G) as follows:

**531—18.3(99G) ~~Scratch~~ Instant ticket price.** The lottery shall specify the price of scratch tickets and instaplay tickets in the specific game rules for each game.

This rule is intended to implement Iowa Code Supplement sections 99G.9(3) and 99G.21.

ITEM 6. Amend subrule 18.5(2) as follows:

**18.5(2)** At the lottery’s discretion, a scratch ticket game or an instaplay game may include a special prize event. The number of prizes and the amount of each prize in the prize event shall be determined by the lottery. The dates and times, as well as the procedures for conducting any elimination drawings or prize events, shall be determined by the lottery in the specific game rules. Finalists for prize events shall be selected in the manner stated in the specific game rules.

ITEM 7. Amend rule 531—18.6(99G) as follows:

**531—18.6(99G) Annuity prizes.** If a prize offered in a scratch game or an instaplay game is an annuity, the prize shall consist of an initial prize payment followed by yearly installments as described in the specific game rules. If the current cash value of an annuity prize attributable to a single ticket or entry is less than \$100,000, the lottery may elect to pay the current cash value of the prize in one lump-sum payment.

This rule is intended to implement Iowa Code Supplement sections 99G.9(3), 99G.21, and 99G.31.

ITEM 8. Amend subrule 18.8(1) as follows:

**18.8(1) Claim period.** Prizes Scratch ticket prizes must be claimed within 90 days of the announced end of the scratch game. Instaplay ticket prizes must be claimed within 90 days of the date of sale of the instaplay ticket.

ITEM 9. Amend subrule 18.8(5) as follows:

**18.8(5) Variation by specific game rules.** The specific game rules may vary the terms of this rule in respect to the manner in which prizes are claimed or the claim period applicable to any scratch or instaplay game or special event.

ITEM 10. Amend rule 531—18.9(99G) as follows:

**531—18.9(99G) Ticket validation requirements.**

**18.9(1)** To be a valid scratch ticket, a ticket must meet all of the following validation requirements.

A ticket must:

- a. Have been issued ~~by the lottery~~ in an authorized manner as determined by the lottery.
- b. Not be altered, unreadable, reconstructed or tampered with in any manner.
- c. Not be counterfeit in whole or in part.
- d. Not be stolen or appear on any list of omitted tickets on file with the lottery.
- e. Be complete and not blank or partially blank, miscut, misregistered, defective, or printed or produced in error.
- f. Have play symbols and captions as described in the specific game rules. All symbols, numbers and codes must be present in their entirety, legible, right side up, and not reversed in any manner.
- g. Have the appropriate bar code, pack-ticket number, retailer verification code and security code.
- h. Have a validation number that appears on the lottery's official list of validation numbers of winning tickets. A ticket with that validation number shall not have been previously paid.
- i. Pass all additional validation requirements stated in the specific game rules and any confidential validation requirements established by the lottery.

**18.9(2)** To be a valid instaplay ticket, a ticket must meet all of the following validation requirements.

A ticket must:

- a. Have been issued in an authorized manner as determined by the lottery.
- b. Not be altered, unreadable, reconstructed or tampered with in any manner.
- c. Not be counterfeit in whole or in part.
- d. Not be stolen, canceled, or appear on any list of omitted or test tickets on file with the lottery.
- e. Be complete and not blank or partially blank, miscut, misregistered, defective, or printed or produced in error.
- f. Have play symbols and captions as described in the specific game rules. All symbols, numbers and codes must be present in their entirety, legible, right side up, and not reversed in any manner.
- g. The information on the ticket or share must correspond precisely with the lottery's computer record.
- h. The ticket or share serial number must appear in its entirety, and correspond, using a computer validation file, to the winning game play or plays printed on the ticket or share.
- i. A ticket or share shall be void unless the ticket or share is printed on a paper stock roll that was validly issued to and used, at the time of the play, by the retailer from whom the ticket or share was purchased.
- j. Pass all additional validation requirements stated in the specific game rules and any confidential validation requirements established by the lottery.

**18.9(2) 18.9(3)** Any ticket not passing all applicable validation requirements is invalid and is ineligible for any prize. The chief executive officer's determination that a ticket is invalid is final.

The chief executive officer, in the chief executive officer's sole discretion, may choose to pay an amount equal to the prize that would have been won on an invalid ticket if the lottery is able to determine the prize which would have been won by use of a symbol, number, color code, or other mechanism. The chief executive officer's decision as to whether to pay a player the sum equal to the prize on an invalid ticket is final.

If an invalid ticket is purchased by a player, the only responsibility or liability of the lottery shall be to replace the invalid ticket with an unplayed ticket from the same game or any other game or issue a refund of the sale price.

This rule is intended to implement Iowa Code Supplement sections 99G.9(3), 99G.21, and 99G.31.

ITEM 11. Amend rule 531—18.10(99G) as follows:

**531—18.10(99G) Official end of game.** The lottery shall announce the official end of each scratch game and each instaplay game. Retailers may continue to sell tickets for each game up to the cutoff date specified by the lottery.

This rule is intended to implement Iowa Code Supplement sections 99G.9(3) and 99G.21.

ITEM 12. Amend rule 531—18.11(99G) as follows:

**531—18.11(99G) Board approval of games.** The lottery shall provide board members with a written description of each specific scratch game and each specific instaplay game. The chairperson or a quorum of the board may call a special meeting to review the instant game selection. The board shall not contest the selection of a scratch game or an instaplay game more than five days after receiving written notice of the selection.

This rule is intended to implement Iowa Code Supplement sections 99G.9(3) and 99G.21.

ITEM 13. Amend rule 531—19.2(99G) as follows:

**531—19.2(99G) Definitions.** As used in this chapter the following definitions are applicable.

*“Low-tier prizes”* are prizes which are included in the guaranteed low-end prize structure of a pull-tab game.

*“Pull-tab tickets”* are instant lottery tickets that are played by opening tabs to reveal if a prize was won. “Pull-tab tickets” do not include “scratch tickets” that are played by removing a rub-off covering from the play area or instaplay tickets that are played using the play symbols printed on lotto terminal paper.

This rule is intended to implement Iowa Code Supplement sections 99G.3 and 99G.9(3).

ITEM 14. Amend rule **531—20.2(99G)**, definitions of “Predetermined pool drawing machine” and “Scratch (instant) ticket vending machine,” as follows:

*“Predetermined pool drawing machine”* means a computer or other device external to a lotto terminal, ~~scratch~~ instant ticket vending machine, on-line vending machine, or monitor vending machine that predetermines winning and losing tickets or shares, assigns them to preprogrammed and prepackaged sequential electronic pool files and subsequently utilizes the files in production and distribution of electronic game cards and paper game tickets or shares produced in manufactured packs or through lotto terminals or vending machines.

*“~~Scratch (instant)~~ Instant ticket vending machine”* or *“ITVM”* means a vending machine or self-service kiosk that dispenses ~~preprinted~~ printed paper lottery tickets, with or without a scratch-off area ~~or electronic game cards with preprogrammed and prepackaged sequential electronic pool files that have been determined to be winning or losing tickets by a predetermined pool drawing machine prior to the dispensing of the tickets.~~